

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2020

Docket No. ACR2020

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-30 OF CHAIRMAN'S INFORMATION REQUEST NO. 5

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 5, issued on January 26, 2021. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. Please refer to Library Reference USPS-FY20-1, December 29, 2020, Excel file "Public\_FY20CRARReport.xlsx," tab "Cost1," cell R17. Please refer also to Docket No. ACR2019, Library Reference USPS-FY19-1, December 27, 2019, Excel file "Public\_FY19CRARReport.xlsx," tab "Cost1," cell R17.
  - a. The data in the referenced files show that the cost coverage for First-Class Mail Flats (FCM Flats) fell from 109 percent in FY 2019 to 100 percent in FY 2020. Please explain the drop in FCM Flats cost coverage.
  - b. Please provide the Postal Service's plan to improve the cost coverage of FCM Flats in FY 2021. If no such plan has been developed, please explain.

**RESPONSE:**

a. In FY 2020, First-Class Mail Flats cost coverage was negatively impacted by a six percent decrease in revenue and a two percent increase in attributable cost. These changes also coincided with a volume decrease of seven percent. On a unit basis, revenue only increased by 0.9 cents, or 0.7 percent, while costs increased by 11.2 cents, or 9.6 percent. Consequently, cost coverage decreased by 8.8 percentage points to 100.0 percent.

Two primary factors explain the small change in unit revenue. One, despite the 9.4 percent increase in prices that included a 33.3 percent increase in the additional ounce rate for First-Class Mail Flats instituted in January 2020, revenue dropped by 104 million dollars, or 6.3 percent in FY 2020. First-Class Mail Single-Piece Flats accounted for 79 million, or 76.1 percent, of the drop in the revenue. On a unit basis, the additional ounce rate was increased by five cents for Single-Piece and Presort Flats, but because the additional ounces declined by roughly 239 thousand in FY 2020, the revenue from additional ounces declined by 8.9 million dollars for this product. Two, the increase in

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the relative amount of First-Class Mail Presort Flats also contributed to the smaller increase in unit revenue. The first ounce price of Automation Presort flats was lowered by 6.5 percent.<sup>1</sup>

In FY 2020, Presort Flats accounted for 44 percent of the volume, which is one percentage point higher than in FY 2019. In FY 2020, the unit revenue for a First-Class Mail Single-Piece flat was 64 cents higher than the corresponding amount for First-Class Mail Presort Flats (\$1.56 v. \$0.92), so even minor changes in the mail mix materially impact the unit revenue for this product.

As for costs, First-Class Mail Flats experienced an 11.2 cent increase in unit costs in FY 2020, the primary sources being higher unit costs in mail processing, delivery, and transportation.

In FY 2020, the increase in First-Class Mail Flats unit mail processing unit costs of 6.2 cents, or 9.5 percent, accounted for more than fifty percent of the total change in unit costs for First-Class Mail Flats. More specifically, unit mail processing costs for First-Class Mail Single-Piece Flats increase by 11.2 cents, or 14.8 percent. First-Class Mail Flats are primarily processed on the AFSM100. During this period, AFSM100 incoming operation productivities fell by more than six percent on average compared to the previous fiscal year (see USPS-FY19/20-23). The estimated cost impact of the

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<sup>1</sup> Docket No. R2020-1, PRC\_CAPCALC-FCM-R2020-1 Remand Calc 2.xlsx, Tab: Automated Flats, Cell L20/ Cell I20 -1.

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changes in productivities is twenty five million dollars.<sup>2</sup> Moreover, wage rates for Clerks CAG A-K increased by \$2.08, or 5.1 percent in FY 2020 (see USPS-FY19/20-7, part 8).

Unit delivery costs increased 2.7 cents, or 11.0 percent, in FY 2020 compared to the previous fiscal year and represent roughly 24 percent of the total unit cost increase for the product. City carrier unit delivery costs rose by 1.9 cents, or 9.3 percent, and rural carrier unit delivery costs were higher by 0.8 cents, or 21.4 percent. The source of the growth in city carrier costs was higher in-office casing costs, which were likely explained by declining volumes and lower casing productivities. For rural carriers, compensation categories with declining volumes such as 'non-FSS Flats' continue to experience unit cost increases because the size of the cost pool was primarily established with the previous Rural Mail Count conducted in March 2018. In FY 2020, the unit cost per rural delivered piece for a cased flat, which is the normal handling for First-Class Mail Flats, increased to 11.4 cents from 10.0 cents in FY 2019 (see folder USPS-FY19/20-19, tab 'Rural Cost').

Purchased unit transportation costs for First-Class Mail Flats increased by 1.2 cents, or 6.2 percent in FY 2020 compared to the previous fiscal year. The primary source of the increase was purchased surface transportation, which accounted for 1.0 cent, or 85 percent of the increase in unit transportation costs for First-Class Mail Flats. First-Class Mail Flats unit surface transportation costs rose on both Intra-SCF (long-haul) and Intra-SCF (short-haul) contract types. The seven percent decline in volume for First-Class

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<sup>2</sup> USPS-FY20-45 FY20.Rule.3050.50.Para.B.xlsx tab "b9"and "b9-a".

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Mail Flats also likely applied upward pressure on their surface transportation costs.

First-Class Mail Flats did not receive drop ship discounts, and cubic foot miles was the cost driver for surface transportation. As volumes decline, the capacity utilization of the flat tubs used to transport the volume drops, resulting in higher unit surface transportation costs.

b. While the Postal Service aims to improve cost coverage for First-Class Mail Flats in FY 2021, as noted in ACR folder USPS-FY20-45 paragraph (b)(4) narrative at 3, Postal operations are generally structured around shape, rather than around specific products. Therefore, cost reduction plans will target flat-shaped products, rather than First-Class Mail Flats specifically. The broader operational initiatives discussed in the narrative accompanying USPS-FY20-45 paragraph (f) include the plans the Postal Service has to reduce attributable costs for flat-shaped products, which include First-Class Mail Flats.

For revenue, the rates for Automated and Non-Automated Presort Flats increased in January 2021 by 4.1 and 5.0 percent, respectively, in an effort to increase the unit revenue for this portion of First-Class Mail Flats, which encompassed close to one-third of its revenue in FY 2020.

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2. Please refer to Library Reference USPS-FY20-NP30, December 29, 2020, files "NONPUBLIC UPU QS Link Perf 2019 FINAL.pdf" and "NONPUBLIC UPU QS Link Perf Oct 2020.pdf."
- a. Please identify the reasons for the overall decline in Inbound Letter Post service performance in all months but two of FY 2020 postal quarter (PQ) 1 and PQ2.
  - b. Please identify the specific reasons for poor service performance in FY 2020, PQ3 and PQ4.

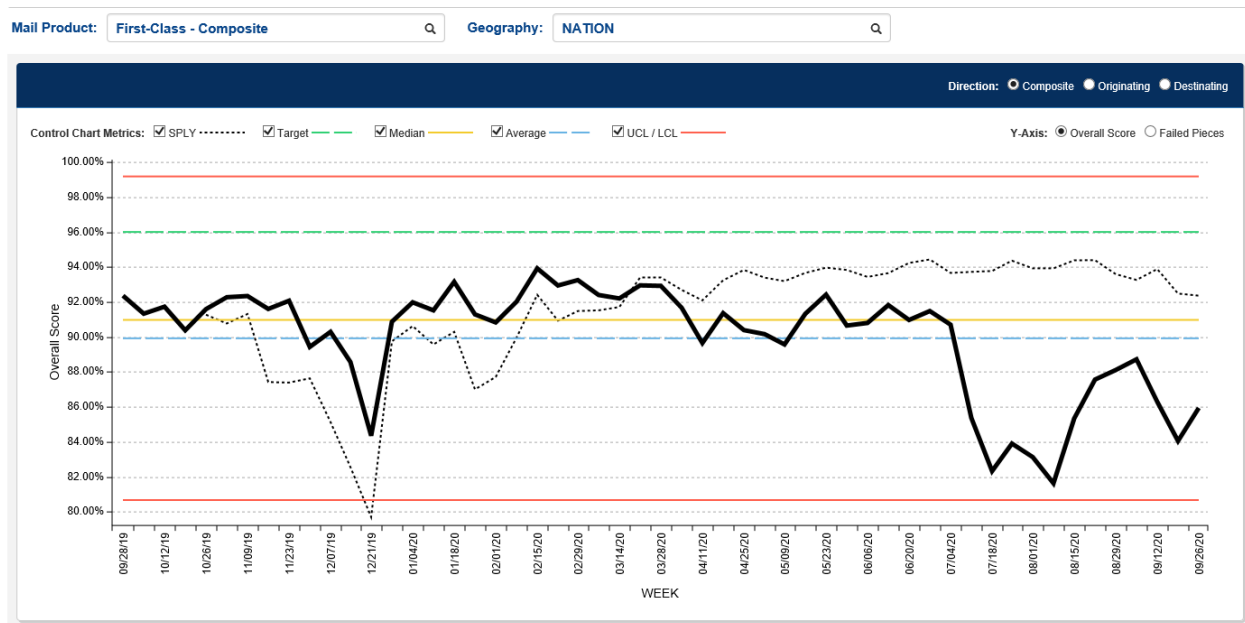
**RESPONSE:**

- a. There was an overall decline in Inbound Letter Post service performance in all months but two of FY 2020 PQ1 and PQ2. The factors contributing to the overall decline were: for the month of October, 2019, the initiation of international peak volume season, and for the period beginning in March 2020, the onset of the COVID-19 pandemic.
- b. The declines in Inbound Letter Post service performance discussed in the response to question 2.a. continued into PQ3 and PQ4 of FY 2020 because of the ongoing COVID-19 pandemic and related issues concerning staffing and the availability of transportation across the network. The inbound international letters and flats that comprise Inbound Letter Post, which is the subject of Mail Classification section 1130, once having passed through the international processing and customs, are integrated into domestic letter flows, and the same factors that contributed to the reductions in performance that occurred with domestic letters and flats also occurred with inbound international letters and flats. (See the

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chart below from IV (Informed Visibility) which reflects domestic First-Class performance, by week, for all of FY 2020.)

First-Class Mail – Composite Mail Performance, by week,  
from the week of September 28, 2019 through the week of September 26, 2020



Data source: IV (Informed Visibility)

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3. Please refer to Docket. No. ACR2019 Response to CHIR No. 2, question 6.<sup>3</sup> The Postal Service stated that “[t]he ‘Terminal Dues Score Improvement’ Lean Six Sigma Black Belt Project, along with other service improvement projects, was on hold for much of FY 2019 as management resources were focused on preparing the Postal Service for the withdrawal of the United States as a member country of the Universal Postal Union (UPU) . . . in order to ensure operational continuity.” *Id.* The Postal Service noted the satisfactory resolution within the UPU that allowed the United States to remain a member, and indicated that, going forward, “resources focused on these operational continuity matters could be reassigned to service improvement projects such this one. The Postal Service does plan to continue the identified projects and initiatives in FY 2020.” *Id.* On July 23, 2020, the Postal Service reported that the “Terminal Dues Score Improvement” Lean Six Sigma Black Belt Project “remains on hold, and it is not yet known when the Postal Service will resume that particular project.”<sup>4</sup> Please explain why the Postal Service did not implement the “Terminal Dues Score Improvement” Lean Six Sigma Black Belt Project in FY 2020 and whether the Postal Service plans to implement it in FY 2021.

**RESPONSE:**

As of PQ2 of FY 2021, the “Terminal Dues Score Improvement” Lean Six Sigma Black Belt Project is in its beginning phases. The office of International Processing Operations has worked with the office of Enterprise Analytics to obtain new tracking capability that has been established in Informed Visibility (IV). International Process Operations has also started working with the Universal Postal Union (UPU) and the International Post Corporation (IPC) to learn more about the reporting system used in the Global Monitoring System

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<sup>3</sup> Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-13 of Chairman’s Information Request No. 2, January 17, 2020 (Docket No. ACR2019 Response to CHIR No. 2).

<sup>4</sup> See Docket No. ACR2019, Third Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2019 Annual Compliance Determination, July 23, 2020, question 1, (Docket No. ACR2019 Third Response).



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(GMS) to identify the root causes for the Postal Service's low performance scores for letter post mail, by investigating process flows that are intended to flow through Radio Frequency Identification Device (RFID) tracking systems, but in which missed scans are occurring. The Postal Service is inspecting current RFID equipment to ensure that all of it is in working order. The Postal Service is also reviewing layouts for additional RFID scanners at entry points to facilities which would complete scans related to Letter Post mail, and thereby improve the Postal Service's pay-for-performance scores. Because a certain amount of Inbound Letter Post volume is offloaded outside of the International Service Centers (ISCs), the Postal Service is reviewing the extent to which appropriate RFID scanners are deployed in the Processing & Distribution Centers (P&DCs) near ISCs. The functioning of these RFID scanners affects the Postal Service's Letter-Post pay-for-performance scores. The Postal Service has found gaps in scanning at the entry points for mail items into certain Postal Service facilities, which result in lowering the number of scans. The Postal Service is in the process of addressing these gaps by mapping out the process flows for each of the ISCs and their surrounding offload sites to ensure that the appropriate processes are followed. We are also reviewing additional entry points and adding more RFID scanners to ensure that scans occur throughout all process flows into these facilities.

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4. Please refer to Library Reference USPS-FY20-29.<sup>5</sup> Please also refer to the Docket No. ACR2019 Third Response, question 1. In the Docket No. ACR2019 Third Response, the Postal Service identified steps it was taking to improve service performance for Inbound Letter Post. Docket No. ACR2019 Third Response, question 1. These steps included communicating between the International Service Centers (ISCs) and Processing and Distribution Centers (P&DCs), which process and handle the international volumes, to correct any delays in the process of dispatch from the ISCs as well as sharing identified processing gaps with Division Directors and managers that assist the ISCs through a Grid Analysis. Library Reference USPS-FY20-29, file "FY20-29 Service Performance Report.pdf," at 8-9; Docket No. ACR2019 Third Response, question 1. Please explain why these initiatives did not improve service performance in FY 2020, addressing PQ1-2 and PQ3-4 separately.

**RESPONSE:**

These initiatives, which were described in the Docket No. ACR2019 Third Response that was filed on July 23, 2020, about ten weeks before the end of FY 2020, did not improve service performance in FY 2020 PQ 1-2, because the initiatives did not begin until after July 23, 2020, which was in FY 2020 PQ 4.

These initiatives did not improve service performance in FY 2020 PQ 3-4, because the initiatives did not start being implemented until the end of FY 2021 PQ1, as discussed in the response to question 6.

The Grid Analysis initiative, which involves communication with the P&DCs, is a process that is being implemented in FY 2021 and was not in place in FY 2020.

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<sup>5</sup> Library Reference USPS-FY20-29, Annual Report on Service Performance for Market Dominant Products, December 29, 2020.

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5. Please refer to Docket No. ACR2019 Third Response, question 1. The Postal Service stated that its International Processing Operations “will conduct a series of operational service reviews to the assist the field with identifying and abating the causes for the respective service gaps, and with improving international Inbound Letter Post service performance. Brainstorming sessions have been held to help identify initial root causes and solutions.” Please discuss the operational service reviews that were done in FY 2020 and their outcomes.

**RESPONSE:**

As mentioned in the response to question 4, the Docket No. ACR2019 Third Response was filed on July 23, 2020, about ten weeks before the end of FY 2020.

After the onset of the COVID-19 pandemic, onsite operational reviews and related travel were significantly curtailed.

Operational service reviews were performed in late PQ4 of 2020. They revealed, for example, that a processing discrepancy was occurring. Specifically, the correct international letters operation for the 848 machine was not being used. The correct international letters operation is needed in order to show the separation of international volumes from the domestic volumes for tracking purposes, and if not utilized, can create a variance between the volumes of international letters being processed and the volumes of international letters being scanned. This disconnect appeared on an operational processing number 848 machine, which is designed to provide accountability concerning the processing of international letters. In FY 2021, efforts to resolve this disconnect are occurring, as the Postal Service's International Processing Operations office is working in conjunction with the Postal Service's domestic mail processing group to address these matters. Programming changes are under

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development in Informed Visibility (IV) that would make it possible to analyze the root causes of delivery performance failures in Leg 3 of the Letter Post scoring process. As background, Leg 3 is the portion of the delivery process for an Inbound Letter Post item, which occurs from the receipt scan at an ISC to the delivered event. International letters follow the domestic letters flow, which includes Delivery Point Sequence (DPS) processing scans. Test international letters are entered into the international mail flow outside of the United States in accordance with International Post Corporation or Universal Postal Union procedures and then enter into the United States mail flow through the ISCs and are then delivered to recipients who report when they receive the test letters. This testing system is similar to the testing system under the International Mail Measurement System, which ceased functioning on September 30, 2020.

Beginning in FY 2021 PQ 2, weekly meetings concerning Inbound Letter Post service performance are scheduled to occur in conjunction with the Lean Six Sigma Black Belt project mentioned in question 3, in order to improve Letter Post performance scores.

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6. The Postal Service identified four initiatives it is pursuing to improve service performance for international services, including Outbound Single-piece First-Class Mail International and Inbound Letter Post. Library Reference USPS-FY20-29, file "FY20-29 Service Performance Report.pdf," at 9-12. The Postal Service reported these same initiatives in its Docket No. ACR2019 Third Response, question 1. These initiatives were: (1) measured targets for Tour Turnover between tours for all operational categories during shift changeover; (2) measured machine utilization performance compared to machine/operational capabilities; (3) measured Run Plan Generator (RPG) machine run plan performance against plan; and (4) visual service/operational failure analysis (Grid Analysis). Please discuss the impact of these initiatives on service performance in FY 2020 PQ1-2, if they were in place during that time, and, separately, in PQ3-4.

**RESPONSE:**

The four initiatives, which include the Grid Analysis initiative, have been used to some extent in relation to the domestic mail flow for a number of years. However, they were not in place in relation to international mail flows in PQ1-2 of FY 2020.

As for FY 2020 PQ 3-4, implementation of the four initiatives in order to improve international mail service performance did not start until the end of FY 2021 PQ1, when direct training with the UPU and the GMS system occurred in order to develop the capacity to identify the root causes for failure points that are occurring in mail processing flows and in transportation of mail flows, which are appearing in the Grid Analysis.

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7. Please describe the initiatives the Postal Service plans to continue, eliminate, or implement to improve service performance for Inbound Letter Post in FY 2021 and how it plans to measure the impact of these initiatives.

**RESPONSE:**

The Postal Service has the following plans concerning initiatives to improve Inbound Letter Post Service performance in FY 2021, and to measure the impact of such initiatives.

- As of FY 2021 PQ2, the Postal Service has developed tracking for Inbound Letter Post letters in Informed Visibility (IV) and plans to continue this tracking throughout FY 2021.
- During FY 2021, the Postal Service will continue training with the UPU and the International Post Corporation to learn more about their systems, so as to more effectively conduct further research about failed and successful scanning of Inbound Letter Post items. Such research is already occurring through Grid Analysis, but will be complemented by reviews with the ISCs and P&DCs which handle this volume.
- During FY 2021, ongoing communications will occur between the Postal Service's International Processing Operations, the UPU, the International Post Corporation, and the Postal Service's Engineering group to troubleshoot any issues with existing RFID scanners. Also, additional scanners will be purchased to address gaps in process flows at the ISCs

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and the surrounding P&DCs that receive Inbound Letter Post letters and flats.

- Run Plan Generator (RPG) analysis will be used to correct operational process flow failures, especially in relation to the offloading of Inbound Letter Post at P&DCs.
- During FY 2021, the Postal Service plans to continue to develop filters specific to international mail in Informed Visibility (IV) in relation to its existing domestic mail flow reporting system, so as to more effectively identify actual failure points related to international letters.

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**8.** Please see Attachment filed under seal.

**RESPONSE:**

Please see the response filed under seal in USPS-FY20-NP36.



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9. The Postal Service stated that its management has sent notices of termination of agreements that comprise the International Money Transfer Service (IMTS) Inbound product to 11 foreign postal operators. FY 2020 ACR at 70.
- a. Please identify the foreign operators to which the Postal Service sent a notice of termination, the percentage of IMTS-Inbound volume represented by these foreign postal operators, and the effective date(s) of termination.
  - b. Please identify the other foreign postal operators to which the Postal Service intends to send notices of termination, when the Postal Service will send the notices, and the anticipated effective dates of these terminations.
  - c. Please confirm that the Postal Service intends to terminate all agreements that comprise the IMTS-Inbound product. If not confirmed, please explain.

**RESPONSE:**

Please see the response, discussing pending actions and actions still under deliberation, filed under seal in USPS-FY20-NP36.

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- 10.** Please refer to the Second Additional Protocol to the Universal Postal Convention (Second Additional Protocol), Articles 28bis.6bis, 28bis.1.1.6, and 29.16, 29.17.<sup>6</sup>
- a. Please provide a list of countries in UPU country groups II-III with FY 2020 inbound format P/G and format E flows to the United States above 50 tons and in UPU country group IV with flows to the United States above 100 tons.
  - b. Please confirm that the Postal Service charged the countries identified in question a. per item and per kg rates for their FY 2020 PQ4 format P/G flows and self-declared rates for their FY 2020 PQ4 format E flows. If not confirmed, please explain.
  - c. If any country identified in question a. with volumes above the threshold that was eligible for per item and per kg rates and self-declared rates was not charged such rates, please identify the volumes, revenues, and costs for each such country.

**RESPONSE:**

Please see the response, containing country-specific information, filed under seal in USPS-FY20-NP36.

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<sup>6</sup> See Second Additional Protocol to the Universal Postal Convention (Second Additional Protocol), Berne 2019, available at: <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/actsOfCurrentCycle/actsActsOfTheExtraordinaryCongressGenevaEn.pdf>.

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- 11.** Please refer to the Second Additional Protocol, Articles 28bis.6bis, 28bis.1.1.7, 29.16, and 29.17.<sup>7</sup>
- a. Please provide a list of countries in UPU country group I with inbound format P/G and format E flows to the United States below 50 tons and countries in country groups II and III with flows to the United States between 25 and 50 tons.
  - b. Please confirm that the Postal Service charged the countries identified in question a. blended per kilogram rates that included self-declared per item and per kilogram rates in FY 2020 PQ 4. If not confirmed, please explain.
  - c. If any country that was eligible above within the range for such blended rates was not charged such rates, please identify the volumes, revenues, and costs for each such country.

**RESPONSE:**

Please see the response, containing country-specific information, filed under seal in USPS-FY20-NP36.

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<sup>7</sup> Docket No. IM2020-1, Notice of Posting of Proposals, March 26, 2020.

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**12.** Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal in USPS-FY20-NP36.

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- 13.** In Library Reference USPS-FY20-45, December 29, 2020, file "Paragraph (b) -- Financial Report," file Part B Narratives.pdf," at 11-12, the Postal Service states that "in response to sharp volume declines in flats, increases in package volumes, and issues with employee availability some sites temporarily suspended processing on Flats Sequencing System (FSS) equipment and processed these volumes instead on Automated Flat Sorting Machine 100 (AFSM100) machines."
- a. Was there a policy or threshold that governed the suspension of the FSS? If so, please provide the policy or threshold.
  - b. Please describe the process for approving the suspension of the FSS, specifically whether such FSS suspensions can be implemented at the discretion of the facilities manager or USPS headquarters.
  - c. Please provide a list of the facilities that suspended the FSS in FY 2020. For each of these facilities, please provide the length of the FSS suspension in terms of actual time and workhours. For these facilities, please provide the flats volume diverted to the AFSM100.
  - d. Has the Postal Service developed an analysis to identify and better understand any lessons learned from the suspension of the FSS? If so, please provide the report. If not, please discuss whether there are future plans to develop such an analysis.
  - e. Did mail processing costs for flats increase or decrease when shifting flats volume from the FSS to the AFSM100?
  - f. Did delivery costs for flats increase or decrease when shifting flats volume from the FSS to the AFSM100?

**RESPONSE:**

- a. There was no national suspension of running the FSSs. Day-to-day decisions were based upon the volume of mail within the facility and employee availability.
- b. The decision(s) to divert FSS volumes to AFSMs were made at the discretion of the area and plant management. Decisions were based upon the volume of mail within the facility and employee availability.

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c. The non-public files submitted under seal in USPS-FY20-NP36 in association with this response provides facility-specific volume and workhours for FSS processing during FY 2020.

d. There was no specific analysis performed prior to or post diversions. There are currently no plans to prepare analysis on the day-to-day decisions to divert volume from an FSS machine to an AFSM machine.

e. All else being equal, mail processing costs are expected to decrease when shifting flats volume from FSS to AFSM100 sortation. FSS sortation is a two-pass process that sorts volume in delivery point sequence, eliminating the need for a carrier to case it, while the AFSM100 Incoming Secondary sortation is a single-pass sort to carrier route level that results in subsequent casing by a carrier prior to delivery. In FY 2020, the AFSM100 Incoming Secondary productivity was 3.25 times higher than the FSS productivity (2,150 pph v. 663 pph). Bundle prep activity is included in the FSS productivity. During periods of FSS suspension, volume was still being prepared in bundles and containers using the L006 labeling list in accordance with the FSS scheme list. This accounts for additional activities necessary before FSS candidate mail could be sorted on AFSM100 machines. However, these additional activities required for FSS candidate mail to be sorted on AFSM100 machines would likely reduce the cost difference between processing volume on FSS machines compared with the AFSM100.

f. It is unknown whether delivery costs increased during periods when AFSM100 processing was substituted for FSS processing, as no specific analysis was done to

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measure that. Such an effort would be difficult, as many factors such as the mail mix by shape impact delivery costs.

On city routes, FSS processing reduces in-office carrier costs due to a reduced need for casing, and it increases on-street carrier costs due to the necessity of handling an additional bundle with FSS mail. In general, the savings in city in-office costs by reducing manual casing exceeds the additional street costs incurred by the presence of an extra bundle. However, there is a substantially different impact of FSS processing on in-office costs amongst flat products; Bound Printed Matter has a much higher difference in cost between FSS and non-FSS pieces, whereas Carrier Route flats has a lower difference. (See USPS-FY20-19, FSSDeliveryModel20.xlsx, Summary tab.) This difference is explained by the belief that casing rates are not uniform across all flat-shaped products. Pieces entered at Carrier Route prices are believed to be cased at a faster rate because they are presented to the carrier in line of travel sequence. Given these considerations, the Postal Service would expect to see an increase of city carrier in-office costs and a decrease of city carrier on-street costs, which, when combined, would likely increase aggregate city carrier in-office and street delivery costs on days where AFSM100 processing was substituted for FSS processing.

For rural carriers, the evaluated time is greater for flats that require manual sequencing compared to those successfully sorted and sequenced by FSS equipment.

In sum, although no specific analysis was conducted to assess the change in delivery costs on days when AFSM100 processing was substituted for FSS processing, delivery costs would be expected to increase for both city and rural carriers.

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- 14.** In Library Reference USPS-FY20-45, file "Paragraph (b) -- Financial Report," file "Part B Narratives.pdf," at 12, the Postal Service states that "[o]ther factors like the temporary shift of FSS-candidate volume towards AFSM100 likely caused an increase in the percent of manually processed volume before dissemination to the carrier for delivery."
- a. For the facilities that shifted flats from the FSS to the ASFM100, please provide a quantitative analysis of manual processing costs comparing before, during, and after the shift.
  - b. If quantitative analysis is not available, please provide qualitative analysis.

**RESPONSE:**

- a. Quantitative analysis of costs is not readily available.
- b. Though the shift from FSS to AFSM100 processing more than likely increased manual volumes and therefore costs at the delivery units, those increases were likely offset by the savings in mail processing operations. Please see the response to subparts e. and f. of Question 13 of this Information Request. Again, shifting the volume was done as a contingency to accommodate the change in the mail mix.



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15. In Library Reference USPS-FY20-45, file "Paragraph (f) -- Operational Changes Report," file "FY20 Paragraph (f) Report.pdf," at 6, the Postal Service states that it "continued to remove AFSMs to respond to the continued decline of flats volume. This initiative should reduce costs due to reductions in maintenance and mail processing work hours."
- a. Please provide the number of ASFM100 machines that were removed.
  - b. Please provide an estimate of the cost savings for maintenance from the decommissioning of an individual ASFM100 machine.
  - c. Please provide an estimate of the mail processing work hours cost savings from the decommissioning of an individual ASFM100 machine.
  - d. Please provide an estimate of the cost savings for maintenance and mail processing work hours from the FY 2020 initiative of decommissioning select ASFM100 machines.

### RESPONSE:

- a. According to webEOR, there were approximately 456 AFSM100 machines at the end of FY 2019 and 410 AFSM100 machines at the end of FY 2020, as shown in Table A below. A total of 46 machines therefore appear to have been removed during FY 2020.

**Table A**

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Fiscal Year	AFMS100 MODS Work Hrs	End-Of-Yr AFSM100 Quantity	Average Work Hrs Per Machine	Other Mail Processing Wage Rate	AFSM100 Removal Direct Labor Cost Savings	Maintenance Cost Percentage	AFSM100 Removal Maintenance Cost Savings
2019	5,901,496	456	12,942	\$41.048	\$531,241	23.969%	\$127,332
2020	5,212,843	410	12,714	\$42.655	\$542,327	21.421%	\$116,171

Source:

[1]: USPS-FY19-7 and USPS-FY20-7

[2]: webEOR

[3]: [1] / [2]

[4]: USPS-FY19-7 and USPS-FY20-7

[5]: [3] \* [4]

[6]: USPS-FY19-25 and USPS-FY20-25

[7]: [5] \* [6]

- b. Maintenance costs are incorporated into the indirect cost factors, or piggyback factors, calculated in USPS-FY20-25. Maintenance cost savings can therefore be

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estimated as a percent of the direct labor cost savings calculated in part c. In FY 2020, the maintenance cost savings related to the removal of one AFSM100 was estimated to be \$ 116,171, as shown in Table A above.

c. The mail processing direct labor work hour savings associated with the removal of an AFSM100 can be approximated by dividing the total AFSM100 MODS work hours for the fiscal year by the total number of AFSM100 machines for that fiscal year. In FY 2020, the total work hour savings was estimated to be 12,714 work hours, as shown in Table A above.

The direct labor cost savings can be estimated by multiplying the estimated work hour savings by the other mail processing wage rate. In FY 2020, the total direct labor cost savings was estimated to be \$ 542,327, as shown in Table A above.

d. There were 91 machines originally scheduled for removal in FY 2020. The total direct labor and maintenance cost savings associated with these removals, had they occurred, can be estimated by multiplying the direct labor and maintenance cost savings for one machine ( $\$ 542,327 + \$ 116,171 = \$ 658,498$ ) by 91 machines for a total savings of \$ 59,923,318.

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- 16.** In response to a FY 2019 ACD directive, the Postal Service provided a chart detailing the cost impact per broken bundle.<sup>8</sup> Please provide workpapers showing the methodology used to calculate the estimated cost impact per broken bundle.

**RESPONSE:**

The requested workpapers are attached to this response in Excel workbook named 'Q16 CHIR No. 5.xlsx'. The workpapers were developed as described in the Postal Service response on July 15, 2020 referenced in the question. The cost impacts for broken bundles were estimated by modifying both the Marketing Mail and Periodicals workbooks by establishing two hypothetical scenarios. Before the scenarios are created, the CRA Proportional Adjustment Factors are hardcoded. Next, the bundle breakage inputs are modified to create scenarios with 0 and 100 percent bundle breakage. The difference between the resulting total mail processing unit costs from these two scenarios is the estimated mail processing cost impact of bundle breakage.

In the Q16 CHIR No. 5 workbook, there are three tabs. The tab 'Impact' shows the estimated cost impacts from the July 15, 2020 response. Tabs 'MM\_CR' and 'PER' include the relevant information from the respective portions of USPS-FY19-11 to run the two hypothetical scenarios previously described.

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<sup>8</sup> Docket No. ACR2019, Response of the United States Postal Service to Commission Requests for Status Reports in the FY 2019 Annual Compliance Determination, July 15, 2020, at 2 (FY 2019 ACD Directive).

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17. Library Reference USPS-FY20-45, file "Paragraph (e) -- Pinch Point Reports," file "e.1 Bundle Breakage Visibility," Excel file "FY16\_FY20Bundle.Brkge.E1\_Public.xlsx" contains the mean bundle breakage rates in FY2020 in the following table:

<b>Machine Type</b>	<b>Mean Bundle Breakage Rate</b>
APPS	8.08%
EPPS	2.61%
SPBSTS	8.07%

Does the Postal Service plan on processing more bundles on Enhanced Package Processing Sorter (EPPS) machines given their lower rate of bundle breakage? Please discuss the tradeoffs associated with using the EPPS machine to process bundles.

**RESPONSE:**

The Postal Service has one EPPS machine at each of two sites, for a total of two EPPS machines. The Postal Service has no plans to procure any additional machines, and in this context, it is difficult to discuss tradeoff opportunities based on this single factor.

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- 18.** In Library reference USPS-FY20-45, file "Paragraph (e) -- Pinch Point Reports," file "e.1 Bundle Breakage Visibility," Excel file "FY16\_FY20Bundle.Brkg.E1\_Public.xlsx," the average bundle breakage rate for Periodicals in FY2020 was 4.22 percent and the average bundle breakage rate for flat shaped USPS Marketing Mail in FY 2020 was 6.43 percent. Please explain why the bundle breakage rate for flat-shaped USPS Marketing Mail is higher than the bundle breakage rate for Periodicals.

**RESPONSE:**

As described in the response to Question 1 of Chairman's Information Request No. 25 in Docket No. ACR2019 (September 10, 2020), bundles for Marketing Mail and Periodicals can be quite different. Bundles for Periodicals are typically more uniform in size than Marketing Mail bundles; they are often poly wrapped and strapped by the mailer. Marketing Mail bundles, on the other hand, vary widely in size and, recently, are roughly twice as likely to be prepared in sacks rather than placed on pallets. Sacked bundles have higher breakages rate because they do not have the protection that pallets provide. Table 2 below, provided in the response to CHIR No. 25, has been updated to include data from FY 2020.

**Table 2: Marketing Mail Flats and Periodicals Percent Sacked Volume in Non-Direct Containers**

<b>Mail Category</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
MM Flats	9.10%	9.20%	9.60%	9.00%	8.92%
Periodicals	5.50%	5.10%	4.40%	4.50%	4.54%

Source: USPS-FY16-14 through USPS-FY20-14

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- 19.** In response to a FY 2019 ACD Directive, the Postal Service stated that “[i]n August of 2020, access to the Mail Irregularity Application will expand to all Full-Service mailers via the Mailer Scorecard.” FY 2019 ACD Directive at 4.
- a. Please indicate if the expansion to all Full-Service mailers occurred in August of 2020.
  - b. Please provide the number of mailers using the Mail Irregularity Application for August and September of FY 2020.
  - c. Please provide the number of irregularities identified by the Mail Irregularity Application for August and September of FY 2020.

**RESPONSE:**

- a. Yes, the expansion occurred, and access has been available to related eDoc submitters since late August 2020.
- b. There are approximately 1,960 eDoc submitters who have access to view their Irregularities.
- c. Surface Visibility recorded 930 Irregularities for August 2020 and 1,688 Irregularities for September 2020.

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- 20.** In Library Reference USPS-FY20-45, file "Paragraph (f) -- Operational Changes Report," file "FY20 Paragraph (f) Report.pdf," at 8-9, the Postal Service states that the "[u]se of Mailer Irregularity Application data should provide mailers with actionable information to correct irregularities and issues before they enter pieces into the postal network, such as securing the straps on flats bundles and reconfiguring shrink wrap to ensure address and barcode readability."
- a. Please provide an estimate of the number of mailers that will have access the Mailer Irregularity Application in FY 2021.
  - b. Please provide the number of facilities where the Mailer Irregularity Application will be implemented.
  - c. Please explain how the Postal Service chose which facilities should implement the Mailer Irregularity Application.
  - d. Is the Postal Service specifically implementing the Mailer Irregularity Application at locations that have high rates of irregularities?

**RESPONSE:**

- a. Approximately 1,960 Mail Providers.
- b. Currently 237 facilities are recording irregularities. Please note, not all facilities/locations will have regular volumes of product, or issues with product, and hence the amount of facilities in use may vary for a given period.
- c. The mailer Irregularity application is imbedded in a mobile device used in our facilities which are Surface Visibility enabled, and hence may be used in any of these facilities already using the mobile SV device. Note, not all facilities will have volumes that allow for irregularity capture, as they may mostly receive previously processed volumes (downstream flow).

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- d. No. As stated in response to subpart c. above, facilities are enabled for this application if they are SV enabled. Meetings are held regularly to drive training and use of the irregularity application.



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- 21.** In response to a FY 2019 ACD Directive, the Postal Service states that “[i]n addition, due to the continued decline in flats volume, the Postal Service plan to remove approximately 130 manual flats cases from its processing plants by the end of FY 2020.” FY 2019 ACD Directive at 18.
- a. Please indicate how many manual flats cases were removed in FY 2020.
  - b. Please provide an estimate of the cost savings from the removal of these manual flats cases, including all data or methods used to develop this estimate.

**RESPONSE:**

- a. Between July of 2019 and August 2020, approximately 142 manual Flats cases were removed from processing plants.
- b. There are no available estimates of the cost savings from the removal of the manual flats cases.

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- 22.** In Library Reference USPS-FY20-45, file "Paragraph (f) -- Operational Changes Report," file "FY20 Paragraph (f) Report.pdf," at 7, the Postal Service states that "[i]n FY 2021, the reduction in the number of manual flat cases will fall in line with the goal of equipment right-sizing."
- a. Please indicate how many manual flats cases are planned to be removed in FY 2021.
  - b. Please provide an estimate of the cost savings from the removal of these manual flats cases.
  - c. Please explain why removing cases results in cost savings.

**RESPONSE:**

- a. Within FY 2021, the expectation is that mail processing facilities will be reviewed to determine the appropriate machine sets. At which time, other operational efficiency opportunities (including the manual flat cases) will be reviewed to ensure they are optimized and appropriate. Thus, a determination of "planned" removals have not yet been decided.
- b. There are no available estimates of the cost savings from the removal of the manual flats cases.
- c. The Postal Service's goal is to reduce manual processing. Reducing the number of flats cases helps to ensure mail that is automation compatible is kept in the automated mail stream.

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- 23.** In regarding the Grid initiative, in Library Reference USPS-FY19-29, December 27, 2019, file "FY19-29 Service Performance Report.pdf," at 7, the Postal Service stated "[h]eadquarters personnel began using this tool during FY 2019 and its use continues in FY 2020." Has the Postal Service developed any analysis or metrics linking reductions in costs for allied operation, or reductions in Work in Process (WIP) metrics to the Grid initiative? If so, please provide such reports or metrics.

**RESPONSE:**

The Grid is a template/tool that was designed to provide managers and employees at all levels of the organization the ability to clearly see the gaps in work in process (cycle time) performance through the scan events and stall points of processing and transportation. Informed Visibility (IV) Cycle Time data, which was developed to help improve service performance, is used to manually populate the Grid template. The Grid was not specifically intended to reduce costs in allied operations.

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- 24.** In Library Reference USPS-FY20-45, file "Paragraph (f) -- Operational Changes Report," file "FY20 Paragraph (f) Report.pdf," at 4-5, the Postal Service stated that it will not perform the following FSS initiatives that were originally scheduled for FY 2020: Self-Audit Checklist, Labeling List Comparison, FSS Delivery Point Compression, and FSS Software Release. Please discuss whether the Postal Service has plans to implement any of these initiatives in FY 2021.

**RESPONSE:**

During FY 2020, there were extensive flat volume losses and additional impacts in employee availability. These impaired our ability to act upon previous planned operational initiatives. In FY 2021, a different approach will be taken, specifically focusing on FSS machine optimization opportunities. Of the previous FY 2020 initiatives, we anticipate focusing on Labeling List opportunities and FSS Delivery Point Compression.

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- 25.** In Library Reference USPS-FY20-45, file "Paragraph (f) -- Operational Changes Report," file "FY20 Paragraph (f) Report.pdf," at 4, the Postal Service states that a "new flats scorecard was produced in FY 2020 and currently contains these items: Letters in flats sortation, FSS/AFSM/Manual percentages, FSS Leakage, Zones not run."
- a. Please confirm that a new Flats Scorecard was produced in FY 2020 and replaced the old four metric FSS Scorecard. If not confirmed, please explain.
  - b. Please confirm that the FY19 Paragraph (f) Report listed the following metrics on the Flats scorecard: Throughput, Letters in flats sortation, Volume to capacity, FSS/AFSM/Manual percentages, FSS Leakage, Zones not run, Equipment At-Risk, Bundle Breakage, and Bundle Leakage. If not confirmed, please explain.
  - c. Please explain the Postal Service's rationale for omitting the following metrics on the FY 2020 Flats Scorecard: Throughput, Volume to capacity, FSS Leakage, Equipment At-Risk, Bundle Breakage, and Bundle Leakage.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. The metrics shown under part b. of the question are all currently available, however they are not all contained on the current version of the FSS scorecard. (Note that part c. of the question lists FSS Leakage as omitted from the current scorecard, but that is not the case.) The numerous metrics and reports available, such as the FSS Scorecard and the DPS/FSS Analysis tool, will be evaluated for placement onto future versions of the FSS scorecard.

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- 26.** In response to a CHIR concerning the FY 2019 ACR, the Postal Service stated the functional review team intended to establish measurable goals for the FSS Delivery Point Sequence (DPS) Percentage metric in FY 2020. FY 2019 ACR Response to CHIR No.4, question 15. Has the Headquarters Cross-Functional Team established measurable goals for the FSS DPS Percentage metric? If so, please provide them. If not, please explain.

**RESPONSE:**

At the present time, the Postal Service strives for a minimum of 80 percent FSS DPS.

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- 27.** In response to a CHIR concerning the FY 2019 ACR, the Postal Service stated the functional review team intended to establish measurable goals for bundle breakage percentage in FY 2020. *Id.* Has the Headquarters Cross-Functional Team established measurable goals for bundle breakage percentage? If so, please provide them. If not, please explain.

**RESPONSE:**

No such goals have yet been developed. When making that statement last year, the Postal Service intended to use internal cross-functional teams to explore procedures to establish performance-based targets to engage with the Industry, to collaborate on how breakage is measured, to maintain accountability for breakage, and to develop appropriate strategies to attain agreed upon targets. Due to other critical priorities during FY 2020, team creation was delayed. Cross functional teams are now developed, and meetings are underway.

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- 28.** In response to a CHIR concerning the FY 2019 ACR, the Postal Service stated that Processing Operations is working towards developing target cycling time for other Flat Mail products. *Id.* Has Processing Operations developed a target cycle time for other Flat Mail Products? If so, please provide them. If not, please explain.

**RESPONSE:**

The Postal Service currently has thresholds for cycle times for various scanning events for FCM Presort Flats, Marketing Mail Flats, Periodicals and Bound Printed Matter.

There are over 600 combinations of targets/thresholds for the various products. As an example, a few of the threshold scans for FCM Presort Flats are shown below.

- Actual Entry Time (AET) to first automation scan ≤ 24 hours
- AET to tray mechanization scan ≤ 12 hours
- Tray mechanization scan to next automation scan ≤ 12 hours
- AET to trip/air assignment ≤ 12 hours



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- 29.** Has the Headquarters Cross-Functional Team identified any cost-saving measures that could significantly reduce flats' unit costs? If so, please provide them. If not, please explain.

**RESPONSE:**

The Team last met in October of 2020, to discuss potential experiments and next steps. Consistent with our yearly strategic plan, the Postal Service shifted operational focus to Peak Season operations in November 2020. As a result, all cross-functional team activities were put on hold. The team's actions and progress are being reviewed for alignment with our 2021 business goals.

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- 30.** Has the Headquarters Cross-Functional Team implemented any cost-saving measures that could significantly reduce flats' unit costs? If so, please provide them. If not, please explain.

**RESPONSE:**

No. Please see response to Question 29 of this Information Request.